



Society of Professional Engineering Employees in Aerospace

Members of the Kansas Senate Committee on Assessment and Taxation –

SPEEA represents professional aerospace employees at Spirit AeroSystems based in Wichita. House Bill 2118 will have a large impact on the future employees who will be represented by SPEEA. As such, the SPEEA Midwest Legislative and Public Affairs Committee formally endorses HB 2118, and is requesting the bill be amended in the following ways:

- 1) A change to the employee tax rebate application in order to fully capture the intended value.
- 2) A mechanism to remove an employer's tax rebate eligibility described in Section 2 if that employer performs significant layoff activity.

Please see the following pages for further explanation of the requested amendments, as well as suggested wording for implementation of the amendments. A copy of the bill with the recommended amendments **in red text** is attached at the end of this document.

Thank you,

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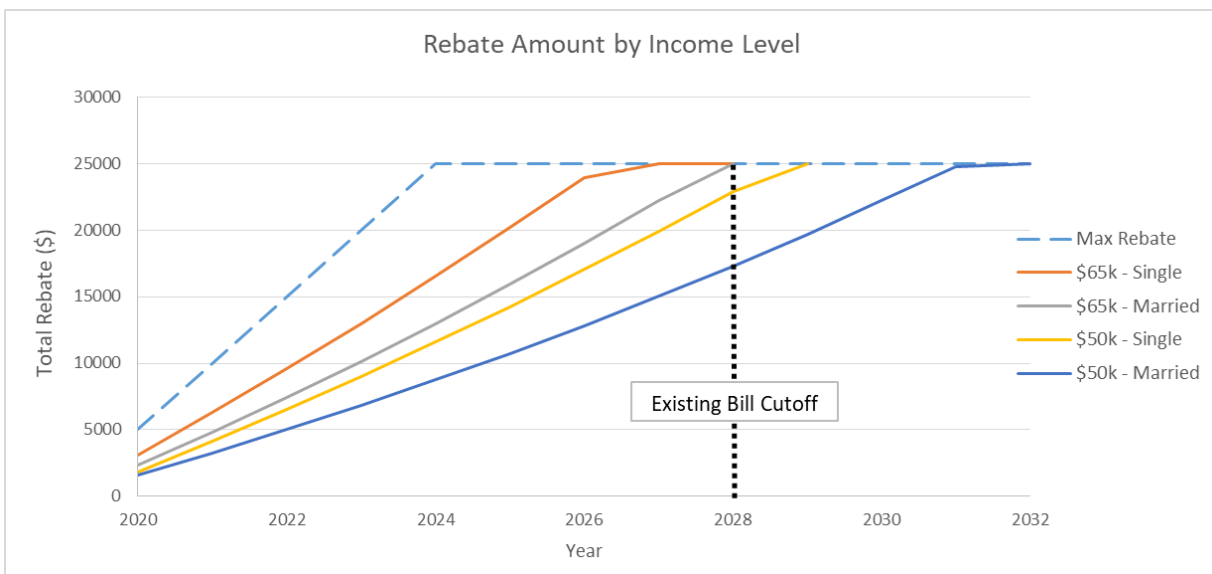


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Amendment 1 – Employee Tax Rebate

As worded currently, the full value of the employee tax rebate is not realized by the majority of eligible workers. SPEEA recommends changing the distribution method to allow for a \$25,000 total rebate, which is achieved over however many years is required until the worker reaches the tax burden of \$25,000, or their eligibility otherwise expires.

- For workers who would have left the state but chose to stay due to the tax rebate, this bill increases state revenue due to payroll, sales, and other taxes
- Existing bill is impossible to achieve fully advertised \$25,000 in rebates unless you begin as a high income earner
- Simplified payout reduces complexity, which will increase utilization, making the bill more effective at realizing it's goals



SPEEA recommends that for Amendment 1, paragraphs (a) and (b) be removed from Section 3, and replaced with the new paragraph (a):

“For taxable years beginning after December 31, 2019, a taxpayer who becomes a qualified employee during the taxable year shall be allowed a credit against taxes imposed under provisions of the Kansas income tax act in an amount equal to \$25,000. The credit is valid for as many years as the qualified taxpayer has received less than \$25,000 in total tax credits. Once the qualified taxpayer has received a total of \$25,000 in tax credits their eligibility expires. If the taxpayer establishes residence outside of Kansas, their eligibility expires.”



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Amendment 2 – Employer Tax Rebate Reduction Due to Layoffs

As seen in Wichita currently, layoffs are an unfortunate reality for most companies in the aerospace industry. Section 2 of HB2118 introduces a generous tax rebate to qualifying employers, and SPEEA believes that employers should have a responsibility to maintain their employment levels in order to be eligible for such rebates. A 3% employment reduction count was selected in order to be high enough that natural departures won't trigger the amendment.

SPEEA recommends that for Amendment 2, paragraph (e) be added to the end of Section 2, and should read as the following:

“If a qualified employer reduces Kansas employment count by 3% or greater within one 365 day period, the employer will become ineligible for the tax credit described in Section 2 for the impacted tax year.”

KS House Bill 2118

AN ACT concerning income taxation; relating to credits, providing certain credits for graduates of aerospace and aviation-related educational programs and employers of program graduates.

Be it enacted by the Legislature of the State of Kansas:

Section 1. As used in sections 1 through 4, and amendments thereto:

- (a) "Aerospace" means relating to vehicles or objects for the purpose of suborbital, orbital or space flight, whether for private or public, or civil or defense-related purposes.
- (b) "Aviation" means relating to vehicles or objects, except parachutes, for the purpose of controlled flight through the air, regardless of how propelled or controlled, or whether manned or unmanned, whether for private or public, or civil or defense-related purposes.
- (c) "Aviation sector" means a private or public organization engaged in the manufacture of aviation or aerospace hardware or software, aviation or aerospace maintenance, aviation or aerospace repair and overhaul, supply of parts to the aviation or aerospace industry, provision of services and support relating to the aviation or aerospace industry, research and development of aviation or aerospace technology and systems, and the education and training of aviation or aerospace personnel.
- ~~(d) "Compensation" means payments in the form of contract labor for which the payor is required to provide a federal tax form 1099 to the person paid, wages subject to withholding tax paid to a part-time employee or full-time employee, or salary or other remuneration. "Compensation" shall not include employer provided retirement, medical or healthcare benefits, reimbursement for travel, meals, lodging or any other expense.~~
- ~~(e)~~(d) "Institution" means a state educational institution, municipal university, institute of technology, community college or technical college, as those terms are defined in K.S.A. 74-3201b, and amendments thereto, or an educational institution, municipal university, institute of technology, community college or technical college within the meaning of those terms as defined in K.S.A. 74-3201b, and amendments thereto, but located in or established under the laws of another state or any other public or private college or university that is accredited by a ~~national or~~ regional accrediting body, the engineering accreditation commission of the accreditation board for engineering and technology (ABET) or the federal aviation administration.
- ~~(f)~~(e) "Qualified employee" means any person newly employed {on a full-time basis} by or first contracting with a qualified employer {on a full-time basis} on or after January 1, 2020, who has been awarded an undergraduate or graduate degree, or a technical degree or certificate from a qualified program by an institution.
- ~~(g)~~(f) "Qualified employer" means a sole proprietorship, general partnership, limited partnership, limited liability company, corporation, other legally recognized business entity or public entity whose principal business activity involves the aviation sector.
- ~~(h)~~(g) "Qualified program" means: (1) A program that has been accredited by the engineering accreditation commission of the accreditation board for engineering and technology (ABET), the federal aviation administration or ~~the higher learning commission~~ a regional accrediting body and that awards an undergraduate or graduate degree; or (2) a program within the meaning of an associate of applied science degree program or career technical education program, as within the meaning of those programs are as defined in K.S.A. ~~72-4412~~ 74-32,407, and amendments thereto, ~~which~~ whether a state or out-of-state program that results in the awarding of a degree or certificate that prepares the graduate for gainful employment with a qualified employer.
- ~~(i)~~(h) "Tuition" means the amount paid for enrollment, program specific course fees and instruction in a qualified program that includes both amounts paid during participation in a qualified program or

tuition debt upon completion of a qualified program. "Tuition" shall not include the cost of books, fees, other than program specific course fees, or room and board.

Sec. 2. (a) For taxable years beginning after December 31, 2019, a taxpayer who is a qualified employer subject to the tax imposed under the provisions of the Kansas income tax act shall be allowed a credit against the tax for tuition reimbursed to a qualified employee.

(b) The credit may be claimed only if the qualified employee has been awarded an undergraduate or graduate degree, or technical degree or certificate from a qualified program within one year prior to or following the commencement of employment with a qualified employer and may be claimed each year thereafter that the qualified employee remains employed up to the fourth year of employment.

(c) The credit shall be in an amount equal to 50% of the tuition reimbursed during the taxable year for which the credit is claimed to a qualified employee, except that in no event shall the credit exceed 50% of the average annual amount paid by a qualified employee for enrollment and instruction in a qualified program at a state educational institution in Kansas, as determined by the secretary of revenue.

(d) The credit shall be applied against the taxpayer's income tax liability after all other credits allowed under the income tax act. The credit shall not be refundable and may not be carried forward.

(e) If a qualified employer reduces Kansas employment count by 3% or greater within one 365 day period, the employer will become ineligible for the tax credit described in Section 2 for the impacted tax year.

~~**Sec. 3.** (a) For taxable years beginning after December 31, 2019, a taxpayer who is a qualified employer subject to the tax imposed under the provisions of the Kansas income tax act shall be allowed a credit against the tax for compensation paid during the taxable year to a qualified employee in the first through fifth consecutive years of employment. Except as otherwise provided, the credit shall be in an amount equal to 10% of the compensation paid.~~

~~(b) The credit shall not exceed \$15,000 annually for each qualified employee.~~

~~(c) The credit shall be applied against the taxpayer's income tax liability after all other credits allowed under the income tax act. The credit shall not be refundable and may not be carried forward.~~

~~(d) No credit shall be claimed for compensation paid to a qualified employee after the fifth year of employment of the qualified employee.~~

Sec. 4-3. ~~(a) For taxable years beginning after December 31, 2019, a taxpayer who becomes a qualified employee during the taxable year shall be allowed a credit against the tax imposed under the provisions of the Kansas income tax act in an amount equal to \$5,000. The credit shall be deducted from the taxpayer's income tax liability for the taxable year in which the taxpayer is or has been a qualified employee and may be claimed each year the taxpayer achieves the status of a qualified employee for the four taxable years succeeding the taxable year in which the credit was first allowed.~~

~~(b) If the amount of the credit allowed a qualified employee is greater than the qualified employee's income tax liability for the taxable year in which the credit is allowed, the amount of the credit which exceeds the tax liability may be carried over for deduction from the qualified employee's income tax liability in the next succeeding taxable year or years, except that the tax credit may not be carried over for deduction after the fourth taxable year succeeding the taxable year in which the credit was first allowed.~~

(a) For taxable years beginning after December 31, 2019, a taxpayer who becomes a qualified employee during the taxable year shall be allowed a credit against taxes imposed under provisions of the Kansas income tax act in an amount equal to \$25,000. The credit is valid for as many years as the qualified taxpayer has received less than \$25,000 in total tax credits. Once the qualified taxpayer has received a total of \$25,000 in tax credits their eligibility expires. If the taxpayer establishes residence outside of Kansas, their eligibility expires.

Sec. 5-4. (a) The secretary of revenue may adopt rules and regulations necessary or convenient for the implementation and administration of sections 1 through 4 3, and amendments thereto.

(b) The secretary of revenue shall annually submit a written report to the house committee on appropriations and to the senate committee on ways and means beginning with the 2020 legislative session. The report shall contain information regarding the cost and effectiveness of the tax credit program described in sections 1 through 4 3, and amendments thereto. The secretary also may include in the report any recommendations for changes to law necessary to implement sections 1 through 4 3, and amendments thereto.

~~Sec. 6-5.~~ No new credits shall be issued or may be earned under the provisions of sections 1 through 4 3, and amendments thereto, after December 31, 2024.

~~Sec. 7-6.~~ This act shall take effect and be in force from and after its publication in the statute book.